



# Connections

Staying Connected With Michigan's Retirees

June 2020

Vol. 23 No. 1

## Retiree Spotlight

### When Lightnin' Strikes

"Lightnin'" Rod Wilson grew up singing in his church choir at the tender age of 6. He found he loved music and started guitar lessons at age 11. He then went on to play his first paid show at age 14 in a local teen club. He joined a few bands in high school and even released a couple albums of original music.

It was clear from the beginning that music was going to be a part of Rod's life.

Rod started work with the Michigan Department of Corrections (MDOC) in 1989. He said, "the playing had to take a hiatus for a couple years." He worked as a corrections officer and eventually was promoted to a resident unit officer. "I enjoyed so many of the good people that I worked with over the years. ... I am very happy and proud of my career." After nearly 21 years with MDOC,



*Lightnin' Rod playing at a festival in Westerville, Ohio.*

Rod decided to retire. In his words, "I don't believe we should retire, but rather refire!"

Since retirement, Lightnin' Rod has spent his time doing what he loves. He came up with the name Lightnin' because the name "Lightning" was used by many Mississippi bluesmen in the 1930s to 1960s. His latest album, "Long Road Back to Eden," has hit the charts in three different radio genres (blues, rock and country) and has been played on stations around the world. Rod recently won the coveted "Entertainer of the Year" award in the Blues, Jazz, Soul category at the 2019 Josie Music Awards.

For more information about his music and band, Rod invites you to check out [his website](#).

*Did you "refire" in your retirement like Rod? If you'd like to have your story featured, please send it to [ORS-RetireeStories@Michigan.gov](mailto:ORS-RetireeStories@Michigan.gov) for possible inclusion in a future publication.*



*Shown below are the 2018 and 2019 Josie Music Awards.*



“Please rest assured that your pension is guaranteed by the Michigan Constitution”

## From The Director

Hello. My name is Anthony Estell, and I’m the new executive director of the Michigan Office of Retirement Services (ORS). I was born and raised in Lansing and I’m a graduate of Michigan State University. Go Green! I have been at ORS for more than 20 years and have worked in a variety of roles here. I’ve been part of the executive team for over a decade, and I assumed the role of director in late December 2019.

My professional career has been devoted to public service and retirement, and there is no better place to do that than working at ORS. I am honored and humbled by the opportunity to work with the great people here to serve you.

Over the past few months, our lives have been consumed with the global pandemic caused by the COVID-19 coronavirus. It has had an impact on our world that is without precedent in modern times. It has created fluctuations in the stock market that we haven’t observed since the Great Recession of 2008-09. Understandably, you may be concerned about receiving your pension benefit. Please rest assured that your pension is guaranteed by the Michigan Constitution and will be paid regardless of market conditions.

As a result of the changing times, we’ve decided to shift the *Connections* newsletter to an electronic format. This issue includes several articles written to keep you informed, including a snapshot of the financial health of your retirement system. I think you will enjoy reading about a MDOC retiree who returned to his love for music and recently won a prestigious award for his music. Please take a look at the *Ask Our Experts* section for answers to commonly asked questions.

If you have a story, you’d like for us to share in a future issue, please send an email to [ORS-RetireeStories@Michigan.gov](mailto:ORS-RetireeStories@Michigan.gov).

A handwritten signature in black ink, appearing to read 'Anthony Estell', with a long horizontal line extending to the right.

**Anthony Estell, director**  
Michigan Office of Retirement Services

Continue your retirement journey with ORS on social media.



Like us on Facebook.  
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Follow us on Twitter.  
[Twitter.com/MichiganORS](https://www.twitter.com/MichiganORS)



Check out our videos  
on YouTube.

# Fiscal Year 2018–19 Financial Summary

## For the State Employees' Retirement System (the System)

This summary includes details from the complete 2019 Comprehensive Annual Financial Report (CAFR), which was produced for fiscal year (FY) 2018–19. Totals and subtotals may not add up due to rounding. The full report is available on our website at [Michigan.gov/ORSStateDB](http://Michigan.gov/ORSStateDB).

### Assets And Liabilities

The System's net assets were \$15.3 billion at the close of FY 2018–19. Total net assets held in trust for pension and other post-employment benefits (OPEB, i.e. retiree healthcare) increased \$311 million from the previous FY, primarily due to investment income.

### Revenue And Expenditures

The reserves to finance pension and OPEB are accumulated through the collection of contributions by employer and employees and through earnings on investments.

Contributions and net investment income for FY 2018–19 totaled \$2.2 billion. Investment earnings accounted for 34% of the System's revenue.



### Assets And Liabilities<sup>1</sup> (Dollars In Thousands) (Combined Pension And OPEB)

Assets	FY 2018	FY 2019
Equity In Common Cash	\$ 133,340	\$ 119,126
Receivables	136,782	130,340
Investments	14,734,342	15,064,065
Securities Lending Collateral	668,255	597,767
<b>Total Assets</b>	<b>\$ 15,672,720</b>	<b>\$ 15,911,298</b>
Liabilities	FY 2018	FY 2019
Unearned Revenue	\$ 27	\$ 32
Accounts Payable And Other Liabilities	43,434	41,782
Obligations Under Securities Lending	668,435	597,698
<b>Total Liabilities</b>	<b>\$ 711,897</b>	<b>\$ 639,513</b>
<b>Net Assets</b>	<b>\$ 14,960,823</b>	<b>\$ 15,271,786</b>

1. CAFR for the fiscal year ended Sept. 30, 2019, Page 15. Liabilities in this context are exclusive of actuarial accrued liabilities for pension and OPEB.

### Additions And Deductions<sup>1</sup> (Dollars In Thousands)

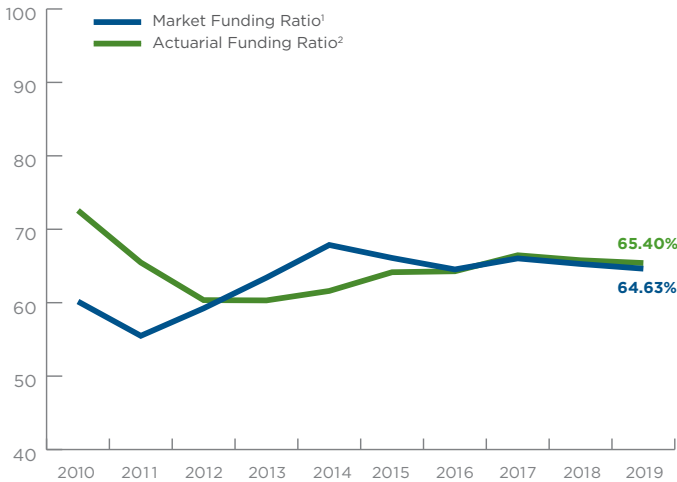
Additions	FY 2018	FY 2019
Member Contributions	\$ 35,598	\$ 28,442
Employer Contributions	1,339,624	1,365,318
Other Governmental Contributions	83,620	65,604
Net Investment Income (Loss)	1,503,048	755,266
Miscellaneous Income	236	83
<b>Total Additions</b>	<b>\$ 2,962,126</b>	<b>\$ 2,214,713</b>
Deductions	FY 2018	FY 2019
Pension Benefits	\$ 1,362,276	\$ 1,398,265
Healthcare Benefits	461,376	468,671
Refunds And Transfers To Other Systems	220	130
Uncollectable Receivables	-	4,423
Administrative And Other Expenses	31,720	32,262
<b>Total Deductions</b>	<b>\$ 1,855,591</b>	<b>\$ 1,903,751</b>
Net Position	FY 2018	FY 2019
Net Increase (Decrease) In Net Position	\$ 1,106,535	\$ 310,962
Beginning Of Year	13,854,288	14,960,823
<b>End Of Year</b>	<b>\$ 14,960,823</b>	<b>\$ 15,271,786</b>

1. CAFR for fiscal year ended Sept. 30, 2019, Page 16.

**34% of the System's funding came from net investment earnings in FY 2018–19.**

## Pension Funding Ratio

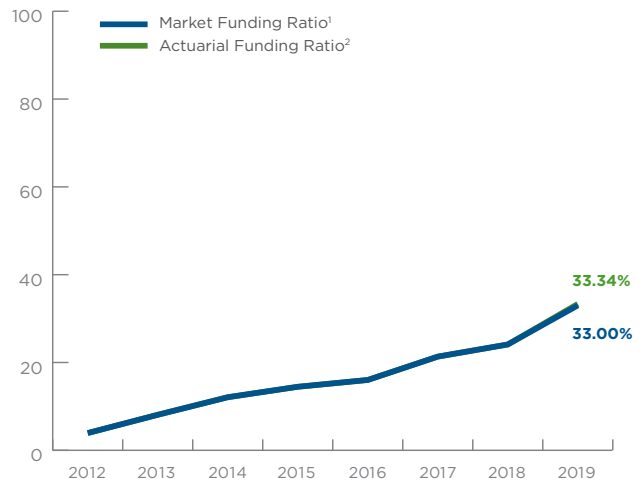
The market funding ratio is based on the market value of assets at the fiscal year-end. The actuarial funding ratio is the best practice used by all pension plans nationwide. It incorporates a five-year smoothing period of investment gains and losses, which minimizes volatility in a pension system's funding requirement. The System is on schedule to be fully funded in 2036.



1. Calculated on market value of assets.
2. Pension Actuarial Valuation for the fiscal year ended Sept. 30, 2019, Page B-5.

## Healthcare Funding Ratio

Starting in fiscal year 2012-13, the System began pre-funding OPEB (i.e. retiree healthcare) costs, which significantly decreased the liability and increased the asset levels. Pre-funding is a best practice that invests assets and allows investment returns to help fund the plan. Many states do not pre-fund OPEB costs. This reform put Michigan on the leading edge of the OPEB funding best practices.



1. Calculated on market value of assets.
2. OPEB Actuarial Valuation for the fiscal year ended Sept. 30, 2019, Page A-2.

**The State Employees' Retirement System is on schedule to be fully funded in 2036.**

## Service Through It All

Throughout the COVID-19 pandemic the Michigan Office of Retirement Services (ORS) worked hard to provide quality customer service to our members. Our focus was to continue to provide service while promoting the safety of all our members and internal staff.

During the early part of the pandemic, ORS took safety precautions to close our office to all visitors. When Governor Whitmer prohibited non-essential employees from reporting to work, technology requirements were quickly identified and tested, which allowed our call center and other staff to transition to working from home. This quick change

allowed us to continue to support our customers without altering the customer experience or interrupting the core services we provide.

Not to be overlooked was the role our retirees played in this success. Many of you chose to research and find answers using the available tools available to you such as miAccount and the ORS website instead of contacting our office. This allowed our staff to help those most in need of our help. Thank you. ORS has learned some very important lessons from this experience that will help us improve our service and provide flexibility for the future.





## Shook Up By Market Volatility?

We've had a wild ride in the market beginning last fall and continuing through the spring season and the COVID-19 pandemic. In recent memory, two prior events threatened the pension fund: the attack on the World Trade Center on Sept. 11, 2001 and the collapse of subprime mortgage securities and subsequent stock market crash and recession in 2008-09. We can add the uncertainty during this current pandemic as a third major market event in less than 20 years. In the first two, portfolios and markets recovered within 18-36 months. In this current situation, we can take solace in the relative strength of the economy before the pandemic and can expect a recovery now, as well, probably within the same time frame.

**Don't panic.**  
The ups and downs of the  
stock market aren't as  
unusual as they may seem.

### Here are three things to keep in mind when thinking about the health of the pension fund:

1

First, the Bureau of Investments within the Michigan Department of Treasury manages the pension fund's investments. Two of the Bureau's explicitly stated goals are to "maintain sufficient liquidity to pay benefits" and to "diversify assets to reduce risk." Their investors are professionals with many years of experience in the markets. They've seen these kinds of investment swings before. Downturns in markets, although not predictable, are written into investment strategy.

2

A second thing to remember is that your pension is protected by Article 9, Section 24 of the Michigan constitution. This means that the state is obligated to pay the pension benefits you've earned during your career.

3

One last thing to remember is that ORS leadership and staff are daily managing the plan and controlling costs to ensure your benefits are secure so you may enjoy your years of retirement.

# Retirees Provide Insight On Pensions

**ORS recently conducted a survey to gain insight on how our pension recipients impact their communities and beyond.**

Participants were selected randomly, and we received 345 responses.

Based on the survey results below, we know having a pension empowers our retirees to take a more active role in community service. The stability of pension income gives our retirees the freedom to spend more time and money supporting charitable causes.

Thank you to all the retirees who responded to the survey.

## ORS Pensioner Survey Data



**97%**  
give to  
charity



**96%**  
vote in  
elections



**85%**  
are financially  
self-sufficient



**65%**  
actively  
volunteer



**Keep Your  
miAccount  
Secure**

Remember to regularly change your account password and review your contact information in miAccount to help keep your account secure. If you've never logged in to your account, do so today. Accounts that have never been logged into make it easier for unauthorized users to potentially gain access by creating an account profile.

# Working After Retirement

**One of the parts to many people's retirement plan is working after retirement.**

Whether this is to supplement lost income, to keep productive or busy or out of financial need, this is a common phase.

In a recent Office of Retirement Service (ORS) survey of pension recipients, slightly more than 24% of respondents stated they have had paid employment in the past year. Of those who worked, nearly 63% stated it was necessary to maintain their standard of living.



**So, what work can you do that doesn't conflict with your pension?**

**If you are receiving a disability pension,** you will need to apply for permission to return to any work.

**If your state pension is not a disability,** and you work for an organization different from where you retired, such as a private company, or in another state, there is no limit to your state pension.

**If you return to an organization related to your pension plan, be aware of the following:**

If you return to work for the state as an employee, independent contractor, or through a contractual arrangement with another party, you must forfeit your pension for the duration of the employment and you will be enrolled in the Defined Contribution (DC) plan. For exceptions of who will forfeit their pension, visit our website under **Working After You Retire**.

**If you need more information because you're not sure whether it may affect your state pension:**

If you are not sure whether post retirement employment may affect your state pension, visit our website under **Working After You Retire**. If you need more information, use the miAccount Message Board for direction. If you are collecting Social Security, you may have an earning limitation from Social Security until you reach their full retirement age. Check with **Social Security** regarding their limitation rules.



# ORS Improves Your Experience And Access, Protects Security Of Pension Fund

The Michigan Office of Retirement Services works hard to constantly improve your experience as a customer. Here are some highlights from the past year:



**Telephone system upgrade:** ORS has implemented a telephone system that transmits sound over the internet rather than traditional phone lines. This integration increases security because, as you call in, your phone number is validated against the phone number we have on record. The new interactive voice response system gains you access to a customer service representative in half the time.



**Mailing security process improvement:** An information security change was made that improves end-to-end processing of daily mailings. The solution uses 2-D bar codes which are tracked by automated print and mail equipment to ensure that each printed page is accounted for as it passes through various machines, reducing the risk of mail going to the wrong customer.



**Paperless options:** With the availability of online methods of getting information, you now have the opportunity to opt out of receiving paper statements, like your direct deposit statement and your 1099-R tax statement. You can access this information up to two weeks before mailings. This option helps preserve the environment and reduces printing costs.



**Dedicated gains policy reduces assumed rate of return, again:** Since 2018 and across all systems managed by ORS, reductions in the assumed rates of return (AROR) for pension and other post-employment benefits (OPEB) have resulted in protecting the long-term security of retirement benefits and ensures greater stability of employer contributions in the future. The new ARORs are well below the median public plan AROR found around the country.

For more information about each of these and other notable accomplishments, see our website and search for **Comprehensive Annual Financial Reports (CAFR)**.



# Ask Our Experts

Michigan Office of Retirement Services (ORS) experts answer frequently asked questions.

## Why did the state of Michigan opt to change to Medicare Advantage (MA)?

The state's Employee Benefits Division studies options to preserve and, where possible, enhance insurance benefits for retirees without shifting or increasing costs to retirees and the state. The MA plan combines the existing benefits of original Medicare and the benefits provided under the State Health Plan PPO. There are also program enhancements aimed at improving health outcomes for our enrollees. By transitioning, we keep our plan design and the same cost-sharing arrangements with our retirees at a lower total cost.

## If I opt out of MA, can I elect to change my mind in the future?

Yes, if circumstances change in the future and you no longer have other primary coverage, you can enroll in the MA plan. Original Medicare, for this purpose, is not considered other primary coverage.

## Will there be a cost associated with this plan in the future?

We anticipate some cost avoidance for the state with the MA plan, which should offset rising medical and prescription drug costs. Benefit changes are approved by the Civil Service Commission and the Department of Technology, Management and Budget director, and future costs continue to be subject to change.

## When can I expect to see a cost-of-living adjustment (COLA)?

Your first COLA increase comes the second October after your retirement effective date. Then the increase occurs annually each October.

## How much will my COLA increase be?

The annual cost-of-living increase is a fixed 3% of your initial pension amount, not to exceed \$25 per month or \$300 annually.

## Where can I find my COLA increase amount?

If you are currently receiving a COLA, you can see this amount on your pension payment details in miAccount as a line item, reflecting COLA.



## Update ORS

It is critical that you report any of the following changes in personal information to ORS: address, email, tax withholding, direct deposit changes, death, divorce, marriage and Medicare information.

The fastest, easiest way to report these and other life events is in miAccount at [Michigan.gov/ORSmiAccount](http://Michigan.gov/ORSmiAccount).

## Pension Pay Dates

Pension payments are issued on the 25th of the month. If the 25th falls on a weekend or holiday, your pension will be paid the previous business day. If your payment is not credited within three days after the scheduled payment date, check with your bank first and then contact ORS.

## Office Closures

July 3..... Independence Day  
Sept. 7..... Labor Day  
Nov. 3..... Election Day  
Nov. 11..... Veterans Day  
Nov. 26-27..... Thanksgiving



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